

January 23, 2008

***Electronic Filing***

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
12<sup>th</sup> Street Lobby, TW-A325  
Washington, DC 20554

**Re:   *Ex Parte Communication***; PS Docket No. 06-229; WT Docket Nos.  
96-86, 05-194, 06-150, 06-169, 07-71

Dear Ms. Dortch:

At a time when the United States' economy is teetering on the brink of a recession, the wireless industry continues to be a key driver of the economy, making more than \$14 billion in capital investments for the first three quarters of last year (not including amounts paid to the federal treasury for spectrum licenses). With the 700 MHz auction scheduled to begin tomorrow, the wireless industry is poised to continue these investments in 2008 and beyond, bringing new services to wireless consumers, and benefits to the U.S. economy in general. As certain groups ask the FCC to consider price or network regulation of the wireless industry, hopefully the Commission will look at the consumer performance of those industries that are regulated by agencies versus those – like the wireless industry – that are driven by their customers and competition.

This *ex parte* highlights some of what the U.S. wireless industry is delivering to American wireless consumers and the American economy – lower prices, more minutes of use, greater affordability, competition, extraordinary choice in carriers, handsets and service plans, innovation, broadband access, job growth, capital expenditures, buildout, and more. As these metrics demonstrate, consumers recognize the value they get from their wireless service, and their increased usage of wireless communications records their vote for the competitive model. We truly hope that the Commission allows this success story to continue in 2008.

This *ex parte* highlights the following major accomplishments of the U.S. wireless industry:

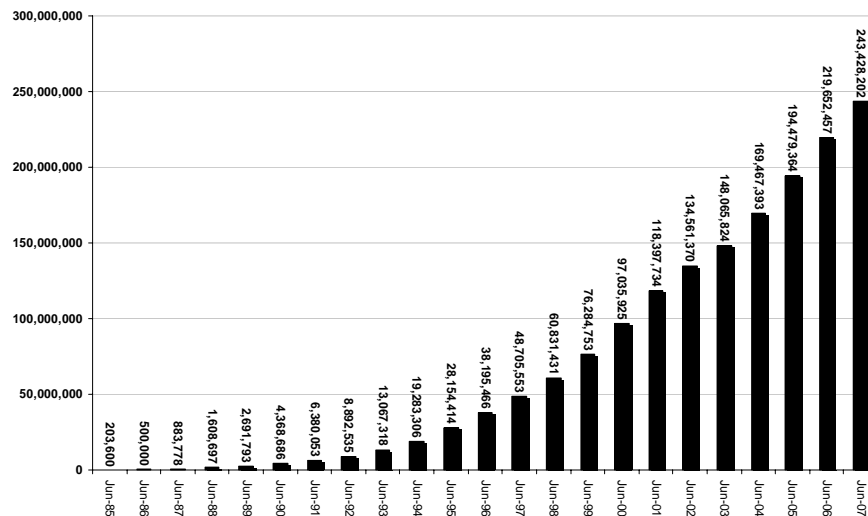
- Consumers are paying less today than they did 10 years ago while enjoying almost seven times as many minutes of use per month;
- Wireless brings broadband to the person – more than 80 percent of handsets on wireless carriers' networks can browse the web, including an increasing array of Wi-Fi-enabled handsets;
- 98 percent of Americans have a choice of three or more wireless carriers, and 94 percent have a choice of four or more carriers;

- The wireless industry's six-month incremental capital expenditure in operational systems was \$9.71 billion as of June 2007, resulting in a total cumulative capital expenditure in operational systems of more than \$233 billion (not including billions more paid to the federal treasury for their spectrum licenses);
- Wireless carriers reported 12,784 more cell sites as of June 2007 compared to June 2006;
- U.S. wireless carriers directly employ over 257,000 people, with over 3.6 million jobs directly or indirectly dependent on the U.S. wireless industry;
- More than 150 wireless companies provide service to more than 243 million customers in the U.S. as of June 2007;
- Americans generated 1.012 trillion minutes of use in the first six months of 2007 (up from 857 billion minutes in the first six months of 2006);
- 15 percent of wireless customers in the U.S. use prepaid or pay-as-you-go plans, without signing contracts;
- 13.6 percent of American households are now wireless-only; and
- Wireless providers have deployed high-speed networks reaching more than 210 million people and that expansion continues.

**U.S. Wireless Subscribership & Usage:** American consumers' attraction to and use of wireless devices grew stronger in 2007. As service quality and coverage have increased and innovation has continued to produce an amazing selection of wireless devices, American consumers across all incomes and demographics are subscribing to and relying on wireless service.

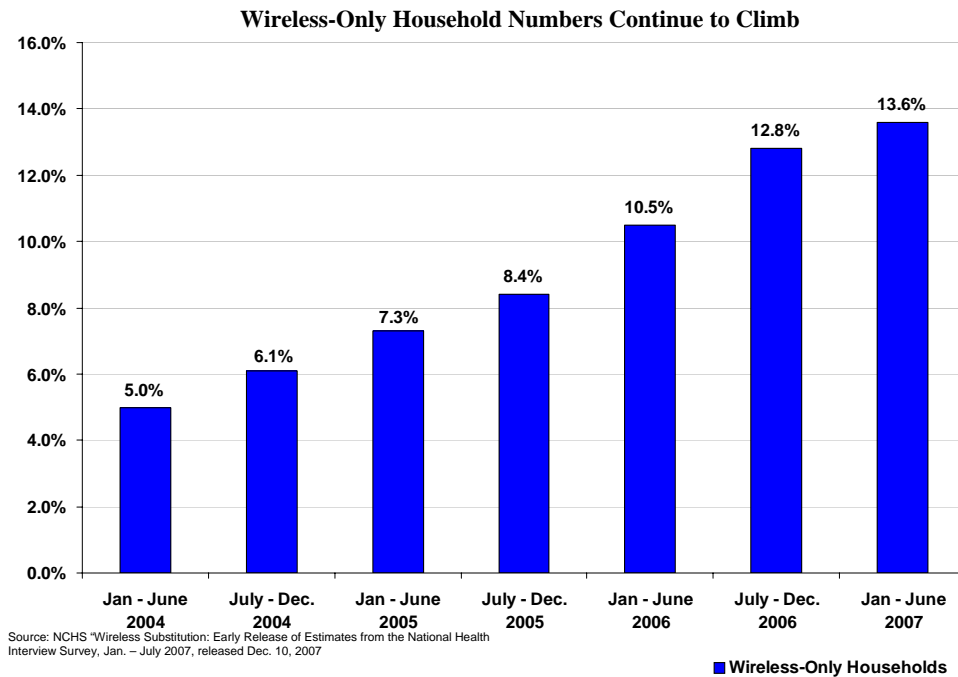
- Subscribership: More than 150 wireless companies provide service to more than 243 million customers in the U.S. as of June 2007, a figure that grew by almost 24 million subscribers from just one year earlier. Using these figures, wireless penetration now stands at 80 percent of the U.S. population, representing an increase from 73 percent as of mid-year 2006. While this level of growth is impressive, CTIA currently estimates that wireless subscribership exceeds 253 million.

**Subscribership Growth Reflects Wireless' Value**



Source: CTIA

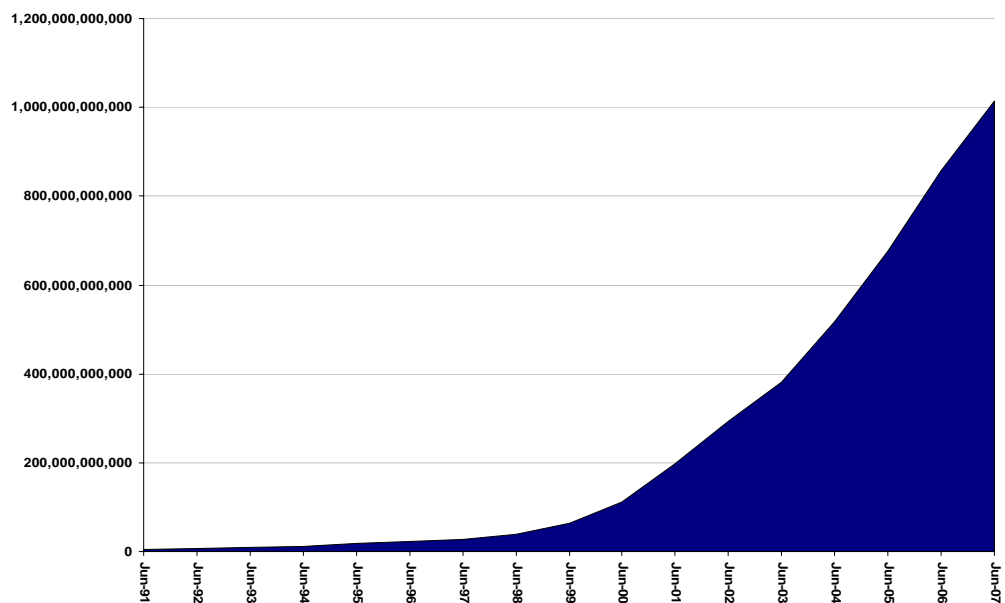
- **Wireless-Only Households:** As wireless penetration continues to spread, more and more American households are becoming wireless-only. In fact, as of June 2007, wireless-only households stood at 13.6 percent – a figure that continues to rise.
  - According to Morgan Stanley, wireless substitution is accelerating and **could reach almost one-third of households by 2012**: “This phenomenon is driven by improved wireless coverage and better pricing and will be supported by new handsets and new wireless technologies.”<sup>1</sup>



<sup>1</sup> See Simon Flannery, *et al.*, Cutting the Cord: Wireless Substitution Accelerating, Morgan Stanley Telecom Services (Sept. 27, 2007).

- Price + Value = Increased Usage: A key factor in American consumers' affinity for wireless communications is their ability to get more for less. Even the sophisticated consumers, Americans recognize the great value and flexibility of wireless. This is demonstrated by the fact that subscribers are talking more – and increasingly using data – while their monthly bills are dropping.
  - The average revenue per consumer, an indicator of what consumers pay in their monthly bills, is **below** the 1997 level, while minutes of use increased by a factor of seven – *i.e.*, seven times more minutes of use for a lower price.
  - Americans generated 1.012 trillion billable minutes in the first six months of 2007 (up from 857 billion minutes in the first six months of 2006):

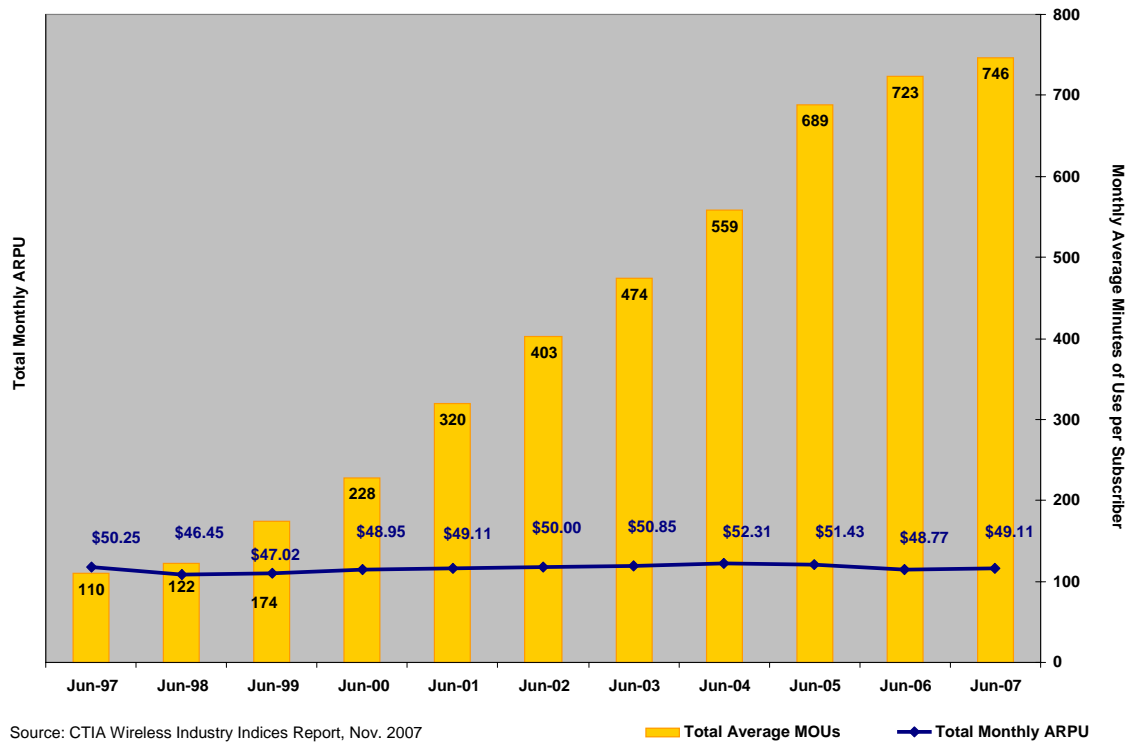
**Reported Wireless Minutes of Use Exceed 1 Trillion in First Half of 2007**



Source: CTIA

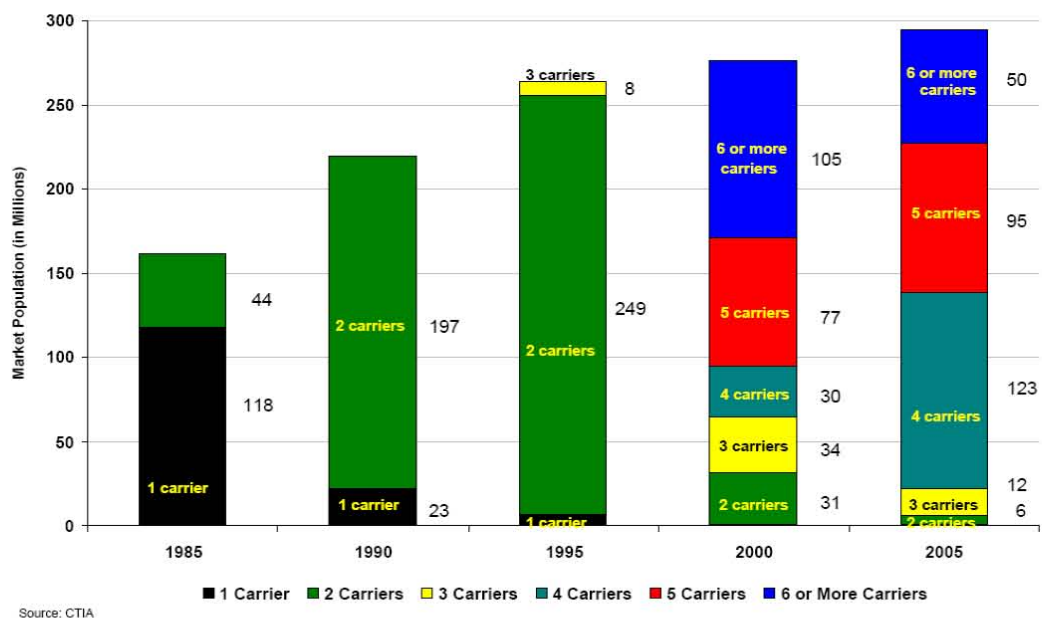
- Meanwhile, wireless carriers saw an average of 746 monthly minutes of use (“MOUs”) per subscriber while total monthly average revenue per user (“ARPU”) has remained constant:

**ARPU has Remained Relatively Stable, While Usage Has Soared**



**Competition and Choice:** The most likely driver of so many Americans flocking to wireless is the fierce competition and vast array of choices that marks the U.S. wireless industry – choice of carriers and choice of handsets. There is no contradicting the record on wireless competition: the U.S. wireless industry has delivered more choice for more people. Consider the following:

- 98 percent of Americans have a choice of three or more wireless carriers;
- 94 percent have a choice of four or more; and
- 51 percent have a choice of five or more wireless carriers.



Further underscoring the competition and choice that characterizes this industry is the fact that more than 150 wireless companies are serving American consumers. Consumers can choose among multiple national and regional carriers. One need only turn on the television to see carriers touting advertisements that reveal the intense competition for subscribers. Yet, unlike many other countries that can claim only one or two carriers dominating market share for subscribers, the U.S. market boasts broad competition typified by less concentration.<sup>2</sup> As of the 3<sup>rd</sup> quarter of 2007, the five largest U.S. carriers claimed a *combined* 89 percent market share, as follows:

<sup>2</sup> See CTIA Written Ex Parte Communication, WT Docket Nos. 07-71 and 05-194 (dated Jan. 8, 2008), available at [http://files.ctia.org/pdf/filings/080108\\_US-OECD\\_10\\_Comparison\\_Ex\\_Parte.pdf](http://files.ctia.org/pdf/filings/080108_US-OECD_10_Comparison_Ex_Parte.pdf).

- AT&T Mobility – 65.27 million (26 percent)
  - Verizon Wireless – 63.65 million (25 percent)
  - Sprint - Nextel – 53.05 million (22 percent)
  - T-Mobile USA – 27.67 million (11 percent)
  - Alltel – 12.45 million (5 percent)
- 
- Collectively, there are about 700 handsets available to consumers in the U.S., compared to less than 200 based on CTIA's review of the market in the United Kingdom. These handsets range from simple, streamlined models like the Jitterbug (aimed at consumers who want simple handsets for voice calling), to feature-rich devices like smartphones and other multimedia devices from manufacturers including Apple, LG, Motorola, Nokia, RIM, Samsung and Sony Ericsson.
  - 15 percent of wireless customers in the U.S. use prepaid or pay-as-you-go plans, without signing contracts. They use service offered by licensees like Alltel, AT&T Mobility, Leap Wireless, MetroPCS, Sprint Nextel, T-Mobile USA, Verizon Wireless and others, as well as by "Mobile Virtual Network Operators" or MVNOs such as NET10, TracFone and Virgin Mobile.

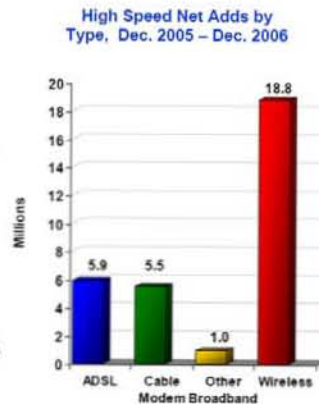


**Broadband:** Wireless providers are constantly expanding and upgrading their networks to bring broadband **to the person** – not just the home.

- Over the past several years carriers have deployed high-speed networks to reach more than 210 million people. These broadband technologies (including EVDO Rev. A and HSPA) offer average download speeds between 400-600 kbps (or more), and bursting speeds up to 1.6 Mbps. More high-speed facilities are being deployed every day.
- More than 80 percent of the handsets operating on wireless carriers' networks are capable of browsing the web. Each of the top five wireless providers in the U.S. offers Wi-Fi enabled handsets.

#### Wireless is a Growing Means of High-Speed Access

- \* In 2006, total high-speed lines grew 61%, from 51.2 million to 82.5 million lines, and 60% of all adds were mobile wireless subscriptions.
- \* From Dec. 2005 to Dec. 2006:
  - ADSL's share of total broadband lines fell from 38% to 31%.
  - Cable modem's share fell from 56% to 39%.
  - Mobile wireless' share of total broadband lines rose from 1% to 27% of total broadband lines.
  - The share of "other" forms of broadband (including fixed wireless, satellite, fiber, and broadband over power line) fell to 3% of total broadband lines – although their total line count grew 84%, from 1.1 to 2.1 million.



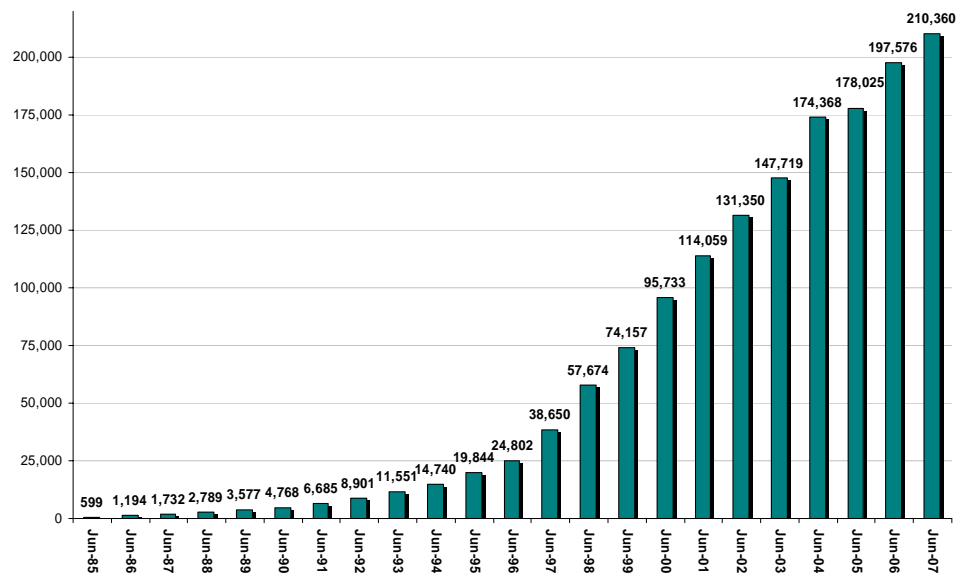
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Source: FCC Report, "High-Speed Services for Internet Access: Status as of December 31, 2006," Oct. 2007.

**Capital Investment:** The astounding growth and improved service quality in the U.S. wireless industry could not be possible without substantial investment in innovative technology and infrastructure. Wireless providers' strong commitment to capital investment has enabled them to nimbly respond to demand for greater network coverage and upgrades.

- As of June 2007, the wireless industry's six-month incremental capital expenditure in operational systems was \$9.71 billion, resulting in a total cumulative capital expenditure in operational systems of more than \$233 billion (not including billions more paid to the federal treasury for their spectrum licenses).
- Wireless carriers reported 12,784 more cell sites as of June 2007 compared to June 2006, now totaling over 210,000. Further, wireless carriers are increasingly sharing facilities for cell sites and deploying stealth towers to minimize environmental impacts.

#### Cell Sites – More Sites, More Coverage



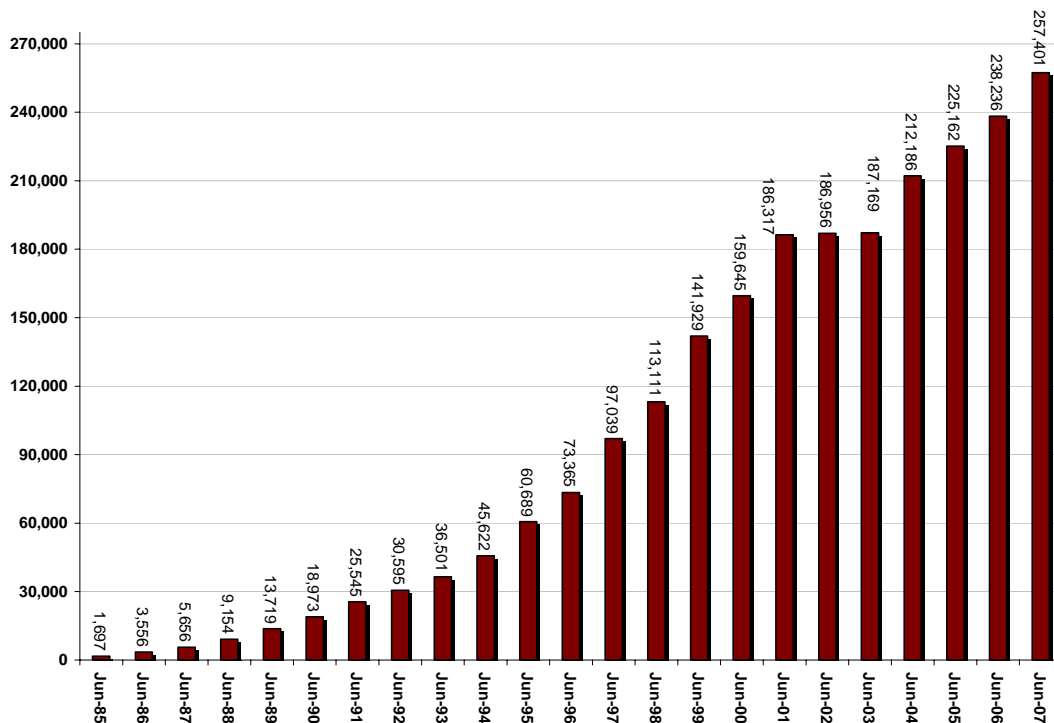
Source: CTIA

Cell Sites in Service are Up 6.5 Percent Year-over-Year

**Wireless Industry Job Growth:** Wireless and wireless-related job growth has remained strong and independent forecasts indicate that this growth will continue to flourish.

- Wireless carriers directly employed 257,401 people as of June 2007 – a six percent increase since June 2006.

**Direct Wireless Carrier Employment Grows 6 Percent Year-over-Year  
Direct Employment Exceeds 257,000 at Mid-Year 2007**



- In addition, the wireless industry's contribution to the overall economy is unmistakable: the industry generated \$118 billion in revenues and contributed \$92 billion to the U.S. Gross Domestic Product in 2004 (the most recent year available), while 3.6 million jobs are directly and indirectly dependent on the U.S. wireless industry.<sup>3</sup>
  - Ovum predicts that over the next 10 years, the U.S. wireless industry will create an additional 2-3 million new jobs, adding a cumulative additional \$450 billion in GDP (an estimate based on the conservative assumption that no new services are added beyond what are available today).<sup>4</sup>

<sup>3</sup> Source: Ovum / Indepen Report, Oct. 2005.

<sup>4</sup> *Id.*

**Wireless Complaints Are Low, While Resolution Rates Are High:** As wireless carriers continue to add subscribers and services, they have managed to keep consumers largely satisfied.

- As of the Second Quarter 2007, the number of complaints and the complaint rates related to wireless carriers – *i.e.*, those involving Contracts, Advertising, Billing & Rates, and Service Quality – were down from both the First Quarter 2006 and First Quarter 2007. From the First Quarter 2006 to the Second Quarter 2007:
  - the number of Contract-related complaints fell 49 percent;
  - Advertising-related complaints fell 47 percent;
  - Billing & Rates-related complaints fell 16 percent; and
  - Service quality-related complaints fell 26 percent.
- These complaint rates are extremely low when examined per million subscribers: as of the Second Quarter 2007, the quarterly complaint rates per million customers were in the single digits. For three of the categories, the Commission received a total of two or less complaints per million subscribers per quarter.
  - 1 Contract – Early Termination-related complaint per million subscribers per quarter;
  - 1 Carrier Marketing & Advertising-related complaint per million subscribers per quarter;
  - 2 Service Quality-related complaints per million subscribers per quarter; and
  - 8 Billing & Rates-related complaints per million subscribers per quarter.
- At the same time, the resolution rate for wireless-related complaints has risen to 91.5% according to the Better Business Bureau, while total wireless subscribership has risen by more than 23 million.

The data described above highlight the tremendous success of the U.S. wireless industry and the benefits that inure directly to American consumers. Wireless service providers and manufacturers have made great advances, thanks in part to the FCC's light regulatory touch. CTIA urges the Commission to consider the strong record of accomplishment in the wireless industry and carefully weigh the impact of any further regulations on the wireless market before taking any action.

Pursuant to Section 1.1206 of the Commission's rules, this letter is being filed via ECFS with your office. Should you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

*/s/ Christopher Guttman-McCabe*

Christopher Guttman-McCabe

cc: Chairman Kevin Martin  
Commissioner Michael Copps  
Commissioner Jonathan Adelstein  
Commissioner Deborah Taylor Tate  
Commissioner Robert McDowell  
Aaron Goldberger  
Bruce Gottlieb  
Renee Crittendon  
Wayne Leighton  
Angela Giancarlo  
Fred Campbell